

Message Text

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PAGE 01 STATE 075671
ORIGIN COME-00

INFO OCT-01 ARA-10 ISO-00 EB-08 /019 R

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-----114473 240353Z /61

P R 240042Z MAR 78
FM SECSTATE WASHDC
TO AMCONSUL SAO PAULO PRIORITY
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

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E.O. 11652: N/A

TAGS: BENC, BR

SUBJECT: MAJOR PROJECT: SAO PAULO SEWERAGE

REF: SAO PAULO 0815

1. MAJOR EXPORT PROJECTS DIVISION/USDOC HAS LEARNED OF
CONCERN BY SEVERAL POTENTIAL U.S. SUPPLIERS ABOUT ASPECTS
OF SUBJECT CALL FOR BIDS WHICH THEY BELIEVE ACT AS BARRIERS
TO WIDE COMPETITION AMONG ALL INTERESTED SUPPLIERS.

2. BIGGEST SINGLE CONCERN AMONG FIRMS APPEARS TO BE BID
GUARANTEE REQUIREMENT. ACCORDING TO FIRMS, BIDDERS MUST
DEPOSIT ABOUT 180,000 DOLLARS IN CASH (BONDS ARE NOT
ACCEPTABLE) AS BID GUARANTEE. FIRMS ARE UPSET OVER BOTH
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SIZE OF DEPOSIT AND CASH REQUIREMENT WHICH COMBINE TO
CREATE SUBSTANTIAL RISK, PARTICULARLY WITH BROADLY-WORDED
SPECIFICATIONS. HIGH COST OF BID DOCUMENTS (ABOUT 2,000
DOLLARS) ALSO APPEARS TO BE ONE MORE ATTEMPT TO DISCOURAGE
BIDDER PARTICIPATION.

3. WAY IN WHICH PACKAGES ARE DIVIDED ALSO IS NOT

ATTRACTIVE TO U.S. FIRMS. ONE PROBLEM IN THIS AREA IS THE INCLUSION OF REQUIREMENTS FOR ENGINEERING SERVICES, A

DEVELOPMENT APPARENTLY NOT EXPECTED BY MOST FIRMS.

4. REGRET THAT WE CANNOT BE MORE SPECIFIC ON DETAILS. U.S. FIRMS HAVE NOT YET RECEIVED DOCUMENTS IN U.S. AND ARE WORKING FROM ANALYSIS MADE BY THEIR BRAZILIAN SUBSIDIARIES. HOWEVER, OVERALL FEELING EXPRESSED BY SEVERAL FIRMS IS THAT WHOLE SERIES OF TERMS AND CONDITIONS WORK AGAINST INTERESTS OF U.S. FIRMS AND HAVE EFFECT OF FAVORING PRIMARILY JAPANESE AND FRENCH.

5. AS EMBASSY AWARE, U.S. FIRMS INVOLVED, AS WELL AS FOREIGN COMPETITORS, HAVE MANUFACTURING PLANTS IN BRAZIL AND WOULD INCLUDE SUBSTANTIAL BRAZILIAN CONTENT IN BIDS. QUESTION, THEREFORE, IS NOT ONE OF BRAZILIAN VERSUS NON-BRAZILIAN FIRMS.

6. ACTION REQUESTED: WOULD APPRECIATE EMBASSY INQUIRIES RE TERMS OF SUBJECT BID. EMBASSY MAY WISH FIRST TO TALK WITH BRAZILIAN SUBSIDIARIES OR REPRESENTATIVES OF U.S. FIRMS IN ORDER TO GET MORE DETAILS OF PROBLEMS THEY ARE EXPERIENCING. EMBASSY MAY ALSO WISH ATTEMPT CONTACT CHARLES TODD OF IBRD (IN SAO PAULO ON PROJECT UNTIL WEEKEND) AND EXPRESS CONCERNS THAT ARRANGEMENT OF BIDS LIMITED OFFICIAL USE

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MEET IBRD GOALS OF MAXIMUM COMPETITION. WOULD APPRECIATE REPORT ON WHAT EMBASSY LEARNS SO WE MAY DETERMINE WHETHER FOLLOW-UP WITH IBRD IS APPROPRIATE. VANCE

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